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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000999

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SUBJECT: TURKMENISTAN: FOREIGN MINISTER MEREDOV TELLS  
USTDA NO CONNECTOR PIPELINE WITHOUT DELIMITATION -- AT  
LEAST FOR NOW

Classified By: Charge Sylvia Reed Curran for reasons 1.4(B) and (D).

11. (C) SUMMARY: Although Turkmenistan's President Berdimuhamedov continues to say publicly that the option of a Trans-Caspian pipeline (TCP) remains on the table, both Deputy Chairman/Foreign Minister Rashit Meredov and Executive Director of the State Agency for Management and Use of Hydrocarbon Resources Bayrammurat Muradov separately told U.S. Trade and Development Agency (USTDA) Regional Director Daniel Stein September 17 and 18 that Turkmenistan is adhering to the policy of Berdimuhamedov's predecessor that no exploitation of gas can take place until resolution of Turkmenistan's border dispute with Azerbaijan. Stein was in Turkmenistan, among other reasons, to see whether the government would be willing to sanction a USTDA-funded feasibility study for construction of a connector pipeline between existing platforms in Turkmenistan's Block 1 and Azerbaijan's Shah-Deniz or ACG fields. Post strongly believes that Meredov, at least, is not firmly wedded to this policy and recommends that Assistant Secretary Boucher further discuss this issue with Meredov in New York. END SUMMARY.

CONDUCTING A NON-BINDING FEASIBILITY STUDY OF A CONNECTOR PIPELINE

12. (C) During September 17-18 meetings with Deputy Chairman of the Cabinet of Ministers/Foreign Minister Rashit Meredov and Executive Director of the State Agency for Management and Use of Hydrocarbon Resources Bayrammurat Muradov, USTDA Regional Director for European and Eurasian Affairs Daniel Stein noted that SCA's PDAS Steve Mann had raised the possibility of pursuing a connector pipeline between Turkmenistan's offshore blocks to platforms in Azerbaijan's Shah Deniz or ACG field, which would effectively connect Turkmenistan's gas to the Shah Deniz or ACG pipeline.

13. (C) Stein stressed that the advantage of this plan,

developed in response to President Berdimuhamedov's call for concrete proposals, is that it is not about a TCP, with all the sensitivity attached to that project (in particular, the Russian and Iranian position that a TCP would require agreement by all five littoral states). Rather, it would just connect off-shore platforms. This type of activity takes place all over the world. Economically, the investment required for such a connector would also be substantially less than for a TCP, since the distances would be shorter. USTDA wants to suggest the possibility of carrying out a feasibility study of this project, with cooperation from the Government of Turkmenistan. Stein also added that USTDA had already discussed the possibility of such a feasibility study with the Government of Azerbaijan, SOCAR and BP, all of which supported the concept of a feasibility study, recognizing that such a study does not commit anybody to moving forward with such a pipeline.

MURADOV, NOT A DECISION-MAKER, SAYS NO

13. (C) Muradov, with whom Stein first raised this idea September 17, agreed that the economic concept sounded attractive. However, he added, while economics plays an important role, it does not play a decisive role in Turkmenistan's approach. Stressing that he is not a decision-maker on this issue, Muradov nonetheless offered up his personal opinion that, until Turkmenistan is able to resolve outstanding issues on the basis of solidarity, mutual respect and mutual understanding, Turkmenistan could not agree to such a study. Turkmenistan never takes actions in the Caspian that could be misconstrued. Until his government resolves delimitation of Turkmenistan's Caspian border with

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Azerbaijan, it does not want to be pulled into any activities that could be misunderstood. While Turkmenistan wants the issue to be resolved, the two sides have not yet done so.

MEREDOV SAYS NO, BUT ADDS "WE MUST THINK"

14. (C) A day later, Foreign Minister Meredov (who is a decision-maker) took a similar although less categorical position. Thanking Stein for his proposal and acknowledging the U.S. effort to present a concrete proposal, Meredov said that Stein's proposal is not a simple issue. The U.S. proposal for the Livanov field in Block 1 is complex because, from an international legal perspective, Turkmenistan's border dispute with Azerbaijan remains unresolved. Turkmenistan recognizes the need to resolve its border issues with Azerbaijan and is working on doing so. Turkmenistan's call for delimitation first does not mean either that it is being inflexible. Indeed, Turkmenistan is seeking a mutually beneficial solution. However, he added, "we must resolve this issue (i.e., delimitation) bilaterally."

MEREDOV ACTIVELY LOOKING FOR NEW DELIMITATION MODELS?

15. (C) Meredov noted the need for more understanding of how delimitation issues had been resolved elsewhere. Such knowledge, he said, would be beneficial for Turkmenistan's efforts to negotiate a solution with Azerbaijan. Stein agreed on the need to study international experiences and offered to assist, including by offering Turkmenistan greater access to international expertise. He also pointed out that a feasibility study on the joint development of a connector pipeline from Block 1 to platforms in Azerbaijan could also help by enhancing understanding among all parties of the consequences of a pipeline.

16. (C) The Charge expressed optimism about the possibilities for a delimitation agreement. Indeed, there already had been delimitation on a bilateral basis between Azerbaijan and Russia, Russia and Kazakhstan, and Kazakhstan and Azerbaijan. Delimitation of borders with Iran, however, could prove more complicated. Meredov repeated that delimitation had become a complex issue. When negotiations had started, the five

littoral states had agreed to seek delimitation along the same set of principles. While many of the littoral states had strayed from that agreement, Turkmenistan had continued to adhere to the original principles, seeking resolution through negotiations that, to date, had "not been ineffective."

¶17. (C) Speaking very carefully, Meredov acknowledged that the connector pipeline would not be a TCP. "We need to think." Turkmenistan's response to the concept of a connector pipeline is not meant to be an attempt to escape cooperation, he said. Meredov and Turkmenistan is constantly thinking of ways to resolve the delimitation issue. "But, you're talking about joint activity." Meredov added, "We have some promising things." Stressing that "we are friends, and should be frank and open," Meredov added that Turkmenistan highly values U.S. efforts to offer concrete proposals. "We will continue this activity."

¶18. (C) COMMENT: Former President Niyazov made the decision that delimitation must come before any possible commercial exploitation of the disputed territory, and it is clear that President Berdimuhamedov, while slowly reversing many of his predecessor's other policies, has not yet done so on this particular issue. That said, however, Meredov's tone and body language, particularly in the latter half of the discussion, was much more reflective -- almost as if, as he was making his points, he was simultaneously trying to think

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how he might be able to persuade the President to consider some changes. And, in fact, Meredov reportedly told UK State Minister for Energy Malcolm Wick, in town September 19-20 to discuss energy, that Turkmenistan is looking at up to six different formulations that would allow it to access the hydrocarbons in the disputed zone and manage the delimitation issue. Post strongly recommends that Assistant Secretary Boucher further discuss this issue of a feasibility study with Meredov in New York.  
CURRAN